Discoverysilver

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

(expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Discovery Silver Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Discovery Silver Corp. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of loss and total comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include material accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T.: +1 416 863 1133, F.: +1 416 365 8215, Fax to mail: ca_toronto_18_york_fax@pwc.com

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Assessment of indicators of impairment of Cordero mineral property

Refer to note 3 – Material accounting policies and note 5 – Critical judgments and estimates in applying accounting policies to the consolidated financial statements.

The carrying value of the Cordero mineral property, which is comprised of exploration and evaluation assets, was $84.9 million as at December 31, 2024. The carrying values of mineral properties are reviewed each reporting period or upon the occurrence of events or changes in circumstances indicating that the carrying values of assets may not be recoverable. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral reserves and resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the reserves and resources will not be technically feasible or commercially viable based on technical studies or desktop studies; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. No impairment indicators were identified by management for the Cordero mineral property as at December 31, 2024.

We considered this a key audit matter due to the significance of the mineral property and the judgments made by management in its assessment of indicators of impairment, which led to subjectivity in performing procedures to test management's assessment.

</td><td>

Our approach to addressing the matter included the following procedures, among others:

- Assessed the judgment made by management in determining whether indicators of impairment for the Cordero mineral property existed, which include the following:
  - Obtained, for a sample of claims, by reference to government registries, evidence to support (i) the right to explore the area, and (ii) title expiration dates.
  - Read the Board of Directors' minutes and obtained budget approvals to evidence continued and planned substantive expenditure for exploration for and evaluation of mineral reserves and resources in the specific area.
  - Assessed whether there is any evidence that extracting the reserves and resources will not be technically feasible or commercially viable, or if other facts and circumstances suggest that the carrying amount exceeds the recoverable amount, by considering the press releases and technical report related to the release of the pre-feasibility study on the Cordero Silver Project and evidence obtained in other areas of the audit.

</td></tr>
</table>

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marelize Barber.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 26, 2025

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars, except where otherwise noted)

As at	Notes		December 31, 2024		December 31, 2023
ASSETS					
Current					
Cash and cash equivalents	6	$	**29,310,579**	$	58,944,459
Sales tax and other receivables	7		**3,201,221**		2,418,901
Prepaids and deposits			**279,481**		292,055
Investments			**213,147**		204,180
			33,004,428		61,859,596
Non-current					
Property and Equipment	8		**2,775,518**		1,511,446
Value-added taxes receivable	7		**2,153,568**		2,299,668
Mineral properties	9		**84,949,272**		80,395,288
TOTAL ASSETS		$	**122,882,786**	$	146,065,998
LIABILITIES					
Current					
Accounts payable and accrued liabilities	10	$	**8,359,638**	$	12,056,645
Current portion of lease liabilities	11		**247,674**		111,580
		$	**8,607,312**	$	12,168,225
Non-current					
Other long-term liabilities	12		**1,069,448**		4,177,833
Lease liabilities	11		**1,217,813**		298,834
TOTAL LIABILITIES		$	**10,894,573**	$	16,644,892
SHAREHOLDERS' EQUITY					
Share capital	13(b)	$	**220,211,128**	$	216,194,163
Contributed surplus			**44,801,220**		42,660,494
Warrants	13(e)		**17,525,093**		17,525,093
Accumulated other comprehensive loss			**(1,297,473)**		1,397,720
Accumulated deficit			**(169,251,755)**		(148,356,364)
TOTAL EQUITY		$	**111,988,213**	$	129,421,106
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	**122,882,786**	$	146,065,998

Approved on Behalf of the Board on March 26, 2025:

"Jeff Parr" "Murray John"
Jeff Parr – Director Murray John – Director

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE LOSS
(Expressed in Canadian dollars, except per share and share information)

					Years Ended
	Notes		**December 31, 2024**		December 31, 2023
Expenses (income)					
General office and other expenses	**15**	**$**	**12,977,449**	$	8,653,089
Interest income			**(2,201,088)**		(3,095,468)
Interest expense			**120,325**		19,030
Professional fees	**16**		**1,479,821**		1,547,300
Exploration and project evaluation expenses	**14**		**507,383**		3,743,940
Share-based compensation	**13(b)**		**4,446,038**		5,673,104
Loss on fair value remeasurement of investments			**(8,544)**		316,425
Write-off for IVA receivable	**7**		**-**		1,293,744
Foreign exchange loss (gain)			**3,574,007**		(2,398,649)
Net loss		**$**	**20,895,391**	$	15,752,515
Other comprehensive loss (income)		**$**	**2,695,193**	$	(1,349,195)
Total comprehensive loss		**$**	**23,590,584**	$	14,403,320
Weighted average shares outstanding					
Basic and diluted	**13(b)**		**398,385,856**		382,703,062
Net loss per share					
Basic and diluted		**$**	**(0.05)**	$	(0.04)

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars, except where otherwise noted)

			Years Ended
	Notes	**December 31, 2024**	December 31, 2023
Operating Activities			
Net loss		**$ (20,895,391)**	$ (15,752,515)
Items not affecting cash:			
Depreciation		**379,061**	363,744
Accretion		**270,066**	-
Share-based compensation	**13(c)**	**4,446,038**	5,673,104
Write-off for IVA receivable	**7**	**-**	1,293,744
Loss on fair value remeasurement		**(8,544)**	316,424
Unrealized foreign exchange loss		**4,400,065**	801,659
Changes in non-cash operating working capital:			
Sales tax and other receivables	**7**	**(550,635)**	4,621,152
Prepaids and deposits		**12,574**	(32,776)
Accounts payable and accrued liabilities	**10**	**(8,806,027)**	1,189,910
Net cash used in operating activities		**$ (20,752,793)**	$ (1,525,554)
Investing Activities			
Acquisition of property and equipment	**8**	**-**	(440,669)
Disposals of property and equipment	**8**	**7,021**	90,481
Acquisition of mineral property	**9**	**(9,831,226)**	(33,407,547)
Net cash used in investing activities		**$ (9,824,205)**	$ (33,757,735)
Financing Activities			
Issuance of shares, net of costs	**13(b)**	**-**	48,741,556
Issuance of shares on exercise of options	**13(c)**	**1,711,653**	251,696
Principal payment on lease liability	**11**	**(682,528)**	(139,385)
Net cash provided by financing activities		**$ 1,029,125**	$ 48,853,867
Effect of exchange rates on cash and cash equivalents		**(86,007)**	(847,057)
Decrease (increase) in cash and cash equivalents		**(29,633,880)**	12,723,521
Cash and cash equivalents, beginning of year	**6**	**58,944,459**	46,220,938
Cash and cash equivalents, end of year	**6**	**$ 29,310,579**	$ 58,944,459
Supplemental Cash Flow Information:			
Income tax expense paid		**$ -**	$ -
Interest paid		**$ -**	$ 822

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars, except where otherwise noted)

	Notes	**Number of Common Shares**	**Share Capital**	**Warrants**	**Contributed Surplus**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total Equity**
At January 1, 2024		**395,862,249**	**$ 216,194,163**	**$ 17,525,093**	**$ 42,660,494**	**$ 1,397,720**	**$ (148,356,364)**	**$ 129,421,106**
Share-based compensation	**13c**	**-**	**-**	**-**	**4,446,038**	**-**	**-**	**4,446,038**
Shares issued on exercise of options	**13c**	**3,468,450**	**2,625,456**	**-**	**(913,803)**	**-**	**-**	**1,711,653**
Shares issued on exercise of RSU's	**13f**	**1,130,545**	**1,391,509**	**-**	**(1,391,509)**	**-**	**-**	**-**
Net loss and total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(2,695,193)**	**(20,895,391)**	**(23,590,584)**
At December 31, 2024		**400,461,244**	**$ 220,211,128**	**$ 17,525,093**	**$ 44,801,220**	**$ (1,297,473)**	**$ (169,251,755)**	**$ 111,988,213**

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2023		351,941,580	$ 166,732,378	$ 17,525,093	$ 37,455,923	$ 48,525	$ (132,603,849)	$ 89,158,070
Share-based compensation	13c	-	-	-	5,673,104	-	-	5,673,104
Shares issued under marketed public offering	13b	43,125,000	51,750,000	-	-	-	-	51,750,000
Share issue costs	13c	-	(3,008,444)	-	-	-	-	(3,008,444)
Shares issued on exercise of options	13c	528,650	374,642	-	(122,946)	-	-	251,696
Shares issued on exercise of RSU's	13f	267,019	345,587	-	(345,587)	-	-	-
Net loss and total comprehensive loss for the year		-	-	-	-	1,349,195	(15,752,515)	(14,403,320)
At December 31, 2023		395,862,249	$ 216,194,163	$ 17,525,093	$ 42,660,494	$ 1,397,720	$ (148,356,364)	$ 129,421,106

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Silver Corp. ("Discovery Silver" or the "Company") is principally engaged in the acquisition, exploration and development of mineral properties, with a focus on advancing assets capable of supporting profitable operations and generating attractive returns for all stakeholders. The Company has exposure to silver through its current primary asset, the Cordero Project in Chihuahua, Mexico, a large-scale, silver-dominant polymetallic deposit with the potential to become one of the world's largest silver producers over a long mine life. On January 27, 2025, the Company announced a definitive agreement to acquire 100% of Newmont Corporation's interest in the Porcupine Complex ("Porcupine" or the "Complex") in and near Timmins, Ontario, Canada. Through the addition of Porcupine, the Company will become a Canadian-based gold producer, with multiple operating mines, in a historic gold camp. The acquisition is expected to close in the first half of 2025 and the Company will then focus on integrating the operations, growing production, enhancing efficiency, and advancing numerous exploration opportunities within the Complex.

The Company was incorporated on October 10, 1986 under the laws of British Columbia and on June 13, 2017, the Company's name was changed to Discovery Metals Corp. On April 14, 2021, the Company's name was changed to Discovery Silver Corp. The Company is listed on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "DSV", and on the Frankfurt Stock Exchange under the symbol "1CU0". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company's Board of Directors authorized the issuance of these audited consolidated financial statements as at and for the years ended December 31, 2024 and 2023 (the "Consolidated Financial Statements") on March 26, 2025.

2. BASIS OF PREPARATION

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and discharge of all liabilities in the normal course of business. The Company has, to date, relied on cash received from share issuances in order to fund its exploration and other business objectives. At December 31, 2024, the Company had working capital (defined as current assets less current liabilities) of $24,397,116 (December 31, 2023 – $49,691,371), shareholders' equity of $111,988,213 (December 31, 2023 – $129,421,106) and an accumulated deficit of $169,251,755 (December 31, 2023 – $148,356,364).

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted by the Company in the preparation of its consolidated financial statements are set out below.

a) Basis of Consolidation

The Consolidated Financial Statements are presented in Canadian dollars ("CAD") unless otherwise noted. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The Consolidated Financial Statements include all the assets, liabilities, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. The Consolidated Financial Statements include the financial condition and results of operations of the Company and its subsidiaries as outlined below.

The Company's principal subsidiary and its geographic location as of December 31, 2024 is as follows:

Direct Parent Company	Location	Ownership Percentage	Properties
Minera Titán S.A. de C.V.	Mexico	100%	Cordero

All intercompany assets, liabilities, equity, income, expenses, and cash flows arising from intercompany transactions have been eliminated on consolidation.

b) Currency of Presentation

The Consolidated Financial Statements are presented in Canadian dollars which is the functional and presentation currency of the Company. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Mexican subsidiaries is the Mexican peso ("MXP").

c) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are not re-translated. Total foreign exchange gains and losses are recognized in the income statement and the unrealized portion is reported separately in the consolidated statement of cash flows. The foreign exchange differences arising from the translation of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive loss in the consolidated statement of loss and total comprehensive loss.

d) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. The Company invests excess cash in high yield savings accounts maintained with high credit-rated institutions.

e) Mineral properties and equipment

On initial acquisition, mineral properties and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition. The Company capitalizes cash and share-based payments made to acquire mineral properties. Land is stated at cost less any impairment in value and is not depreciated. Exploration and evaluation costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are probable. Upon disposal or abandonment, the carrying amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss.

i. Depreciation

Depreciation is recognized in earnings or loss on a straight-line basis over the estimated useful lives of each part of an item (component), since this most closely reflects the expected pattern of consumption of economic benefits embodied in the asset. The estimated useful lives for assets and components that are depreciated on a straight-line basis range from three to 10 years.

Depreciated assets	**Useful Life**
Computer equipment and software	3 years
Vehicles	4 years
Office equipment and furniture	5 to 10 years
Buildings and machinery	5 to 10 years

ii. Impairment

The carrying values of mineral properties are reviewed each reporting period or upon the occurrence of events or changes in circumstances indicating that the carrying values of assets may not be recoverable. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral reserves and resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the reserves and resources will not be technically feasible or commercially viable based on technical studies or desktop studies; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in earnings or loss.

Where an item of mineral properties and equipment is disposed of, it is derecognized and the difference between its' carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the consolidated financial statements of operations and total comprehensive loss. Any items of mineral properties and equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

f) Exploration and evaluation assets

Exploration and evaluation expenditures are comprised of costs that are directly attributable to: researching and analyzing existing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, and compiling economic studies. Exploration expenditures are costs incurred in the search for resources suitable for commercial exploitation. Evaluation expenditures are costs incurred in determining the technical feasibility and commercial viability of a mineral resource. Exploration and evaluation expenditures are capitalized when there is a high degree of confidence in the project's viability and thus it is probable that future economic benefits will flow to the Company. When a project is considered to no longer have commercially viable prospects for the Company, exploration and evaluation costs in respect of that property are assessed as impaired and written off to the statement of loss and total comprehensive loss. The Company also assesses mineral property costs for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets
The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are classified as other fixed assets in the consolidated statement of financial position.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized

cost using the effective interest method. Interest recognized on the consolidated statement of operations and comprehensive loss is classified as a financing cost.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero upon remeasurement of the liability.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present liability for statutory, contractual, constructive, or legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

i) Financial instruments

Measurement

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL"). Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities. Management determines the classification on initial recognition.

Subsequent to the initial measurement at fair value, all recognized financial assets are required to be subsequently measured at amortized cost or fair value. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent periods. Financial assets that have a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at fair value through profit and loss ("FVTPL") in subsequent accounting periods. In addition, on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's FVTOCI, with only dividend income generally recognized in profit or loss. Transaction costs for financial assets held at FVTPL are expensed, for all other financial assets, they are recognized at fair value at initial measurement plus any directly attributable transaction costs.

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet, subsequent to inception, and how changes in value are recorded.

For an impairment of financial assets, an ‘expected credit loss’ model is applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model is updated at each reporting date to reflect changes in initial recognition.

j) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

k) Warrants

Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date. The fair value of the warrants issued is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the warrants were granted. The impact of changes to the original terms of a warrant grant or revisions to original estimates are accounted for prospectively and recognized in equity with a corresponding change in contributed surplus on the date of remeasurement. Consideration received on the exercise of warrants is recorded as share capital and the related contributed surplus is transferred from warrants, within the Company’s equity accounts.

l) Share-based compensation

The Company recognizes share-based compensation expense for share purchase options, restricted share units (“RSU”) and deferred share units (“DSU”) granted to directors, officers, and employees under the Company’s equity-based incentive plans.

Share purchase options

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, considering the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserve.

In situations where equity instruments are issued to non-employees and some or all the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Restricted share units

The fair value of RSUs is determined by the market value of the underlying shares at the date of the grant. Under the Company's RSU Plan, the Board of Directors has the discretion to settle the vested RSUs in cash or equity. As the Company does not have a present obligation to settle the issued RSUs in cash, the RSUs issued have been treated as equity-settled instruments. The fair values of RSUs at the date of grant are expensed over the vesting periods with a corresponding increase to equity. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revisions to this estimate in equity.

Deferred share units

DSUs awarded to non-executive directors may be settled in cash or equity at the discretion of the Board of Directors and are measured at the fair value which is determined based on the closing share price of the Company on the date of the grant. As the Company does not have a present obligation to settle the issued DSUs in cash, the DSUs issued have been treated as equity-settled instruments. The fair values of the DSUs at the date of grant are expensed over the vesting periods with a corresponding increase to equity.

m) Income taxes

Income tax on the earnings or loss for the years presented comprises current and deferred tax. Income tax is recognized in earnings or loss in the statements of operation except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Total comprehensive loss

Total comprehensive loss is comprised of net loss and other comprehensive income (loss). The Company has other comprehensive income (loss) components resulting from currency translation adjustments from the functional currency of MXP in Discovery Mexico to the presentation currency of CAD in the consolidated financial statements.

o) Earnings (loss) per share

Basic earnings or loss per share ("EPS") represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted EPS represents the profit for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted losses per share is anti-dilutive and accordingly, the diluted loss per share would be the same as the basic loss per share.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

The new standards, or amendments to standards and interpretations that were adopted by the Company, effective January 1, 2024, are as follows:

Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Future Accounting Standards and Interpretations

The Effects of Changes in Foreign Exchange Rates (Amendment to IAS 21)

The amendments address the lack of exchangeability which applies when one currency cannot be exchanged into another as a result, for example, of government-imposed controls on capital imports and exports, or a limitation on the volume of foreign currency transactions that can be undertaken at an official exchange rate. The amendments clarify when a currency is considered exchangeable into another currency, and how an entity estimates a spot rate for currencies that lack exchangeability. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.

This amendment is effective for annual periods beginning on or after January 1, 2025. The adoption of these amendments is not anticipated to have a material impact on the Company's financial statements.

Classification and Measurement of Financial Instruments (Amendment to IFRS 9 and IFRS 7)

The amendments clarify that financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for a new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance ESG linked features. Additionally, these amendments introduce new disclosure requirements and update others.

This amendment is effective for annual periods beginning on or after January 1, 2026. The impact of these amendments on the Company's financial statements has not yet been evaluated.

Presentation and Disclosure in Financial Statements ("IFRS 18")

IFRS 18 replaces IAS 1 – Presentation of Financial Statements, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.

Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures ("MPMs") and eliminates classification options for interest and dividends in the statement of cash flows. Non-GAAP measures that meet the definition of MPMs will be subject to the disclosure requirements

This amendment is effective for annual periods beginning on or after January 1, 2027. The impact of these amendments on the Company's financial statements has not yet been evaluated.

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, contingent liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and applied prospectively.

a) Critical accounting judgments

The significant areas of judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

i. Functional currency

The functional currency for each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that for each of the Canadian entities, the functional currency is CAD and for the Mexican subsidiaries the functional currency is MXP. Foreign exchange differences arising from the translation from functional to presentation currency are recognized each period in other comprehensive income (loss) and may or may not be subsequently reclassified to profit or loss depending on future events.

ii. Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

The Company makes determinations whether development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgical information, economic assessments and existing permits for land access and drilling. The estimates contained within these criteria could change over time which could affect the economic recoverability of capitalized costs.

b) Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Impairment charges

The Company assesses its CGUs at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use.

Management periodically reviews the carrying values of its exploration and evaluation assets with internal and external mining professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of resources, forecast future metal prices, forecast future costs of exploring, and the general likelihood that the Company will continue exploration. The Company does not set a predetermined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are recoverable.

ii. Sales tax recoverability

The Company incurs significant expenditures for the purchase of goods and services on which sales tax is paid ("GST/HST" in Canada and "IVA" in Mexico). The net amount paid is recoverable but is subject to review and assessment by the relevant tax authorities (Canada Revenue Agency ("CRA") in Canada and the Servicio de Administración Tributaria ("SAT") in Mexico). The Company files GST/HST returns on a quarterly basis with the CRA and regularly files the required IVA returns and all supporting documentation with SAT.

Management applies significant judgment in assessing the recoverability of the IVA including: i) collections of previous claims made with the tax authority received during and in prior years; ii) communications with tax authorities and iii) review of the appropriateness of the supporting information.

The Company is in regular contact with SAT in respect of its IVA filings and believes the full amount of its IVA receivables will ultimately be received; however, the timing of recovery of these amounts and the nature and extent of any adjustments to the Company's IVA receivables remains uncertain. Management assesses collectability and classification of the asset between current and non-current at each reporting period. If there is uncertainty surrounding collectability of a specific amount, the Company records a provision. Once there is an expectation of recovery, that specific amount is recognized as a long-term receivable and the related provision reversed (note 7).

iii. Share-based payments

The fair value of the estimated number of stock options, RSUs and DSUs, that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options with the corresponding increase in equity.

Determining the fair value of stock options, RSUs and DSUs requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate, and the expected term of the underlying instruments. Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

(Expressed in Canadian dollars, except where otherwise noted)

6. CASH AND CASH EQUIVALENTS

		December 31, 2024		December 31, 2023
Cash	**$**	**28,960,579**	$	58,664,459
Cash equivalents		**350,000**		280,000
	$	**29,310,579**	$	58,944,459

Cash equivalents include marketable securities with short-term maturities of three months or less at inception and no restrictions on redemption.

7. SALES TAX AND OTHER RECEIVABLES

		December 31, 2024		December 31, 2023
Sales and value-added tax receivable (a)	**$**	**5,271,893**	$	4,481,483
Other receivables		**82,896**		237,086
	$	**5,354,789**	$	4,718,569

The Company pays sales in Canada (“HST”) and its Mexican subsidiaries pay value-added tax, Impuesto al Valor Agregado (“IVA”) on the purchase of goods and services. Both HST and IVA paid is recoverable but subject to review and assessment by the respective tax authorities - Canada Revenue Agency (“CRA”) and the Mexican tax authority (“SAT”). The complex application process and detailed review by SAT in Mexico can impact the collectability and timing of refunds.

During the year ended December 31, 2023, SAT completed an audit and the Company received a net refund of $8.0 million, including interest and inflationary adjustments less legal fees. This refund was for a cumulative five-year return filed with SAT in 2022, for months beginning August 2017 through May 2022 (the “Cumulative Refund”).

a) Current and non-current value-added tax receivables

The Company has classified 100% of the HST receivable balance of $298,497 as a current asset as amounts are refunded by the CRA within twelve months following the return being filed. The Company exercises judgement in classifying the current and non-current portions of the IVA receivable balance however, the timing of refunds can vary based on SAT’s review process. IVA which is estimated to be collected within the next twelve months is recorded as a current receivable while IVA expected to be collective beyond twelve months is classified as a non-current receivable. The Company has recorded $2,819,754 as the current portion of the IVA receivable, and $2,153,568 as a non-current receivable.

Since the receipt of the Cumulative Refund, SAT has since forcibly closed all outstanding receivable balances prior to 2017. As a result, during the year ended December 31, 2023 the company recognized a net write off of $1,293,744 in IVA receivable relating to transactions prior to August 2017.

(Expressed in Canadian dollars, except where otherwise noted)

8. PROPERTY AND EQUIPMENT

	Equipment	Vehicles	Office, Furniture & Other	Computer	Total
Cost					
Balance at January 1, 2024	**$ 1,255,535**	**$ 427,535**	**$ 759,733**	**$ 358,330**	**$ 2,801,133**
Additions	**83,084**	**38,923**	**1,744,794**	**19,553**	**1,886,354**
Disposals	**-**	**-**	**(7,021)**	**-**	**(7,021)**
Currency translation adjustment	**(201,722)**	**(54,039)**	**(12,405)**	**(31,261)**	**(299,427)**
Balance at December 31, 2024	**$ 1,136,897**	**$ 412,419**	**$ 2,485,101**	**$ 346,622**	**$ 4,381,039**
Accumulated depreciation					
Balance at January 1, 2024	**$ (336,448)**	**$ (332,853)**	**$ (343,261)**	**$ (277,125)**	**$ (1,289,687)**
Additions	**(89,410)**	**(70,282)**	**(178,730)**	**(40,639)**	**(379,061)**
Currency translation adjustment	**12,442**	**13,154**	**32,145**	**5,486**	**63,227**
Balance at December 31, 2024	**$ (413,416)**	**$ (389,981)**	**$ (489,846)**	**$ (312,278)**	**$ (1,605,521)**

Carrying amount	**Equipment**	**Vehicles**	**Office, Furniture & Other**	**Computer**	**Total**
At January 1, 2024	**$ 919,087**	**$ 94,682**	**$ 416,472**	**$ 81,205**	**$ 1,511,446**
At December 31, 2024	**$ 723,481**	**$ 22,438**	**$ 1,995,255**	**$ 34,344**	**$ 2,775,518**

	Equipment	Vehicles	Office, Furniture & Other	Computer	Total
Cost					
Balance at January 1, 2023	$ 991,834	$ 380,291	$ 780,902	$ 290,718	$ 2,443,745
Additions	306,391	43,880	27,665	62,733	440,669
Disposals	-	-	(50,726)	-	(50,726)
Currency translation adjustment	(42,690)	3,364	1,892	4,879	(32,555)
Balance at December 31, 2023	$ 1,255,535	$ 427,535	$ 759,733	$ 358,330	$ 2,801,133
Accumulated depreciation					
Balance at January 1, 2023	$ (170,304)	$ (216,777)	$ (234,280)	$ (182,763)	$ (804,124)
Additions	(83,876)	(86,552)	(134,778)	(58,538)	(363,744)
Currency translation adjustment	(51,146)	(29,524)	34,430	(35,824)	(82,064)
Disposals	(31,122)	-	(8,633)	-	(39,755)
Balance at December 31, 2023	$ (336,448)	$ (332,853)	$ (343,261)	$ (277,125)	$ (1,289,687)

Carrying amount	Equipment	Vehicles	Office, Furniture & Other	Computer	Total
At January 1, 2023	$ 821,530	$ 163,514	$ 546,622	$ 107,955	$ 1,639,621
At December 31, 2023	$ 919,087	$ 94,682	$ 416,472	$ 81,205	$ 1,511,446

(Expressed in Canadian dollars, except where otherwise noted)

The Company following table summarizes the changes in right-of-use assets within plant and equipment:

Leased assets		**Total**
At January 1, 2023	$	548,194
Revaluation of ROU Asset		(50,726)
Depreciation		(108,635)
At December 31, 2023	$	388,833
ROU Additions		**1,737,604**
Depreciation		**(144,774)**
At December 31, 2024	**$**	**1,981,663**

9. MINERAL PROPERTIES

At January 1, 2023	$	32,867,024
Currency translation adjustment		951,608
Acquisition of land[1]		23,037,798
Deferred land acquisition costs[2]		876,000
Additions[3]		22,662,858
At December 31, 2023	**$**	80,395,288
Currency translation adjustment		**(6,601,988)**
Additions[3]		**11,155,972**
At December 31, 2024	**$**	**84,949,272**

(1) The Company purchased the titles and deeds to various parcels of land on the Cordero property during the year ended December 31, 2023. The land acquisition includes the surface rights and national water concessions associated with the various land packages. The acquisition agreement required an initial cash payment made during May 2023 of USD$7,500,000, with a second and third instalments of USD$6,750,000 and USD$2,500,000 due in May 2024 and 2025 respectively. This final payment has been recorded as a current liability, on the Company's Statement of Financial Position as at December 31, 2024 (notes 10 and 12)

(2) This amount is recorded in other long-term liabilities and reflects the present value of the minimum annual payments of USD$50,000 per year required to be paid if commercial production is not reached by May 2028 (the annual payment is USD$600,000 per annum upon declaration of commercial production and is payable over the life of the mine) (note 12).

(3) Due to the completion and results of the pre-feasibility study in January 2023, the Company began capitalizing eligible exploration and evaluation expenditures in accordance with the accounting policy set out in note 3(f).

(4) On March 19, 2025, the Company acquired 66 hectares of land for USD$1.8M and now owns 100% of the land required for the development of the Cordero property.

Costs Capitalized to the Cordero Mineral Property		**December 31, 2024**		December 31, 2023
Permitting and Legal	$	**268,800**	$	661,867
Mining duties		**924,944**		811,967
Drilling		**-**		4,578,855
Mapping, sampling, and assays		**-**		1,885,095
Camp cost, site access and vehicles		**1,718,556**		2,703,937
Salaries and benefits		**3,743,562**		4,224,753
Project evaluation and geophysics		**3,722,861**		6,838,193
Administrative and other expenses		**777,249**		958,191
	$	**11,155,972**	$	22,662,858

(Expressed in Canadian dollars, except where otherwise noted)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2024		December 31, 2023
Trade and other payables[1]	**$**	**1,936,828**	$	2,750,394
Salaries and benefits payable[2]		**3,243,341**		1,290,734
Accrued liabilities[3]		**3,179,469**		8,015,517
	$	**8,359,638**	$	12,056,645

(1) At December 31, 2024, trade and other payables were comprised primarily of amounts payable for business development and environmental studies while the December 31, 2023 balance consisted of mainly costs payable for work on the Cordero Feasibility Study.
(2) Salaries and benefits payable were comprised of short-term incentive amounts payable to executive management and employees.
(3) Accrued liabilities is comprised primarily of the final instalment of USD$2,500,000 related to the acquisition of land during 2023 to be paid in May 2025 (note 12).

11. LEASE LIABILITIES

		December 31, 2024		December 31, 2023
Lease liabilities	**$**	**1,465,487**	$	410,414
Less: current portion		**247,674**		111,580
Non-current portion	**$**	**1,217,813**	$	298,834

(1) During 2022, the Company renewed the corporate office lease for an additional five-year term at an incremental borrowing rate of 3.95%, and during 2024 the Company signed a 30-year surface access agreement in Mexico at an incremental borrowing rate of 10.91%.

12. OTHER LONG-TERM LIABILITIES

		December 31, 2024		December 31, 2023
Land acquisition payable[1]	**$**	**-**	$	3,301,833
Long-term provision for future land payment obligation[2]		**1,069,448**		876,000
	$	**1,069,448**	$	4,177,833

(1) At December 31, 2023, other long term liabilities were comprised of the final instalment payment of USD$2,500,000 due in May 2025 for the land acquisition. This was reclassified to current liabilities as at December 31, 2024 as the payment is due in less than 12 months.
(2) This provision is the minimum amount payable annually under the land acquisition agreement signed in May 2023 (the "Agreement"), if commercial production is not achieved by May 2028. The penalty clause requires payment of USD$50,000 for each year delayed (with an annual increase of USD$5,000 to this amount until commercial production is reached) (the "Annual Payments"). This provision was calculated as the present value of the Annual Payments, using a discount rate of 8% with the accretion expense being recognized over the 25 years of payments per the Agreement. Once commercial production is achieved, the Annual Payments under the Agreement are USD$600,000 over 25 years with the last 5 years of payments, totaling USD$3,000,000 to be paid in advance (USD$1,000,000 24 months after signing the Agreement (payable May 2025 and recognized in current liabilities in the consolidated statement of financial position) and USD$2,000,000 to be paid on declaration of commercial production.

13. SHARE CAPITAL

a) Authorized

i. Unlimited common shares with no par value; and
ii. Unlimited preferred voting shares with no par value.

(Expressed in Canadian dollars, except where otherwise noted)

b) Shares issued and outstanding

	Note	Common Shares		Amount
At January 1, 2023		351,941,580	$	166,732,378
Shares issued for marketed public offering[(1)]		43,125,000		51,750,000
Finders' fees incurred for marketed public offering[(1)]	13c	-		(3,008,444)
Shares issued on exercise of options	13c	528,650		374,642
Shares issued on exercise of RSUs	13d	267,019		345,587
At December 31, 2023		395,862,249	$	216,194,163
Shares issued on exercise of options	13c	**3,468,450**		**2,625,456**
Shares issued on exercise of RSUs	13d	**1,130,545**		**1,391,509**
At December 31, 2024		**400,461,244**	**$**	**220,211,128**

(1) On April 19, 2023, the Company announced the closing of its marketed public offering of common shares of the Company for aggregate gross proceeds of approximately $51,750,000. The offering consisted of the sale of 43,125,000 common shares that included the full exercise of the Agents' option at a price of $1.20 per share.

The non-cash share-based compensation expense for the year ended December 31, 2024, was $4,446,038 (year ended December 31, 2023 - $5,673,104).

c) Stock Options

The Company has adopted a rolling 10% stock option plan (the "Option Plan") which provides that the Company's Board of Directors (the "Board") may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options. This 10% limit is in aggregate and is shared with the Company's RSU and DSU plans (note 13d). The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Option Plan. The expiry date for an option shall not be more than ten years from the grant date.

There were no options granted during the year ended December 31, 2024. There were 1,600,000 stock options granted during the year ended December 31, 2023, with a weighted average exercise price of $1.42 and a five-year term to expiry. The options granted vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023. The Options will expire on January 26, 2028, five years after the grant date. Options granted are fair valued using the Black-Scholes option pricing model, which requires the input of highly subjective assumptions. Volatility is estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

(Expressed in Canadian dollars, except where otherwise noted)

Option transactions and the number of options outstanding are summarized as follows:

	Outstanding		Weighted Average Exercise Price
At January 1, 2023	20,465,017	$	1.46
Options granted	1,600,000		1.42
Options exercised	(528,650)		0.47
Options forfeited	(1,542,709)		1.96
At December 31, 2023	19,993,658	$	1.44
Options exercised	**(3,468,450)**		**0.49**
Options forfeited	**(673,333)**		**1.93**
At December 31, 2024	**15,851,875**	**$**	**1.63**

At December 31, 2024, the options outstanding and exercisable are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average remaining life	Weighted average exercise price
$0.65	50,000	0.27	$0.65	50,000	0.27	$0.65
$0.47	2,930,000	0.57	$0.47	2,930,000	0.57	$0.47
$1.89	4,696,875	1.28	$1.89	4,696,875	1.28	$1.89
$2.08	300,000	1.44	$2.08	300,000	1.44	$2.08
$1.77	200,000	2.09	$1.77	200,000	2.09	$1.77
$2.05	5,575,000	2.27	$2.05	5,184,375	2.27	$2.05
$1.76	400,000	2.53	$1.76	400,000	2.53	$1.76
$1.38	100,000	2.65	$1.38	100,000	2.65	$1.38
$1.42	1,600,000	3.32	$1.42	533,333	3.32	$1.42
	15,851,875	**0.96**	**$1.63**	**14,394,583**	**0.81**	**$1.63**

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

d) Deferred Share Units and Restricted Share Units

The Company has adopted rolling 10% DSU and RSU Plans, that share the 10% threshold with the 10% rolling Option Plan. The combined aggregate total Options, DSUs, and RSUs granted cannot exceed 10% of the issued and outstanding common shares of the Company.

The DSU Plan provides that the Board may grant DSUs to non-executive directors of the Company, to be settled in cash or common shares of the Company, at the discretion of the Board. The RSU Plan provides that the Board may grant RSUs to eligible officers, and employees, to be settled in cash or common shares of the Company, at the discretion of the Board. The Board in its sole discretion may determine any vesting provisions for DSUs and RSUs.

(Expressed in Canadian dollars, except where otherwise noted)

Pursuant to the Company's restricted share unit plan, an aggregate total of 3,239,529 RSUs were granted to certain officers, employees, consultants and advisors during the year ended December 31, 2024 (year ended December 31, 2023 – 4,024,202 RSUs granted). The RSUs, each redeemable for one common share of the Company, vest annually in three equal tranches beginning on the first anniversary of each grant date.

Pursuant to the Company's deferred share unit plan, an aggregate total of 1,475,997 DSUs were granted to non-executive directors during the year ended December 31, 2024 (year ended December 31, 2023 - 1,475,997 DSUs granted). The DSUs vest on the first anniversary of each grant date, but may only be redeemed on the termination date of a director, in accordance with the DSU Plan.

The following tables reflect the continuity of RSUs and DSUs granted and redeemed during the year ended December 31, 2024 and 2023.

	Number of RSU's	**Weighted average redemption price ($)**
At January 1, 2023	125,000	-
RSUs granted	4,024,202	-
RSUs redeemed	(267,019)	1.29
RSUs forfeited	(390,552)	-
At December 31, 2023	**3,491,631**	**-**
RSUs granted	**3,239,529**	**-**
RSUs redeemed	**(1,130,545)**	**0.82**
At December 31, 2024	**5,600,615**	**-**

	Number of DSU's	**Weighted average redemption price ($)**
At January 1, 2023	-	-
DSUs granted	1,475,997	-
At December 31, 2023	1,475,997	-
DSUs granted	**900,000**	**-**
At December 31, 2024	**2,375,997**	**-**

e) Warrants

The Company had issued warrants as part of certain subscription agreements and finders' fees for certain non-brokered private placements that closed during 2017, 2019 and 2020. The warrants were exchangeable for Common Shares of the Company at a ratio and an exercise price determined at the time of the individual private placement. Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date using the Black-Scholes pricing model. There were no warrants issued during the year ended December 31, 2024, and no warrants outstanding as at December 31, 2024 (as at and for the year ended December 31, 2023: no warrants issued or outstanding). Refer to note 23 for details on warrants issued subsequent to December 31, 2024.

(Expressed in Canadian dollars, except where otherwise noted)

14. EXPLORATION AND PROJECT EVALUATION

Due to the completion and results of the pre-feasibility study during the first quarter of 2023, the Company began capitalizing eligible exploration expenditures beginning January 1, 2023. Exploration and project evaluation expenditures not capitalized are those costs not directly attributable to the Cordero Project. These costs include permitting, surface access, drilling, mapping, sampling and assaying, geophysics, salaries and benefits and other costs pertaining primarily to the Company's property-wide exploration program. During the year ended December 31, 2024, the Company spent $507,383 in exploration expenses (year ended December 31, 2023 - $3,743,940).

15. GENERAL OFFICE AND OTHER EXPENSES

	Years Ended December 31,	
	2024	2023
Travel	**$ 283,186**	$ 501,315
Salaries and benefits	**7,107,152**	3,845,928
Shareholder communication and investor relations	**523,896**	549,985
Filing and transfer agent fees	**202,185**	653,689
Rent	**221,338**	147,025
Depreciation	**379,061**	362,964
General office and other	**1,679,164**	2,144,922
Business development[1]	**2,581,467**	447,261
	$ 12,977,449	$ 8,653,089

[1] Costs include legal, consulting, advisory and other expenses primarily related to the evaluation of the Porcupine Complex.

16. PROFESSIONAL FEES

	Years Ended December 31,	
	2024	2023
Legal	**$ 106,497**	$ 406,437
Audit, tax and accounting	**578,194**	275,953
Consulting and other	**795,130**	864,910
	$ 1,479,821	$ 1,547,300

17. INCOME TAXES

	Years Ended December 31,	
	2024	2023
Loss before tax at statutory rate of 28% (2023 – 28%)	**$ 6,605,363**	$ 4,032,413
Effect on taxes of:		
Non-deductible expenses	**(1,253,228)**	(1,598,833)
Change in provision for unrecognized deferred tax assets	**(5,352,135)**	(2,433,580)
Income tax expense	**$ -**	$ -

(Expressed in Canadian dollars, except where otherwise noted)

a) Unrecognized Deductible Temporary Differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

In Canada, the Company has aggregate tax losses not recognized of $28,879,852 expiring in periods from 2026 – 2046. Deferred tax assets have not been recognized in respect of these losses because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. The capital loss carryforwards of $12,640,000 in Canada are without expiry. In Mexico, the Company's subsidiaries have $69,930,593 of non-capital loss carry-forwards expiring in periods from 2025 – 2034.

				Years Ended
		December 31, 2024		December 31, 2023
Non-capital loss carry-forwards	**$**	**98,555,549**	$	74,947,973
Capital loss carry-forwards		**12,640,000**		12,640,000
Resource properties		**128,192,850**		105,127,904
	$	**239,388,399**	$	192,215,877

18. CAPITAL MANAGEMENT

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining, and developing mineral deposits, with the goal of creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The current excess funds realized from the non-brokered private placements are invested in highly liquid, interest-bearing marketable securities with no restrictions on redemption.

At December 31, 2024, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended December 31, 2024.

19. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, other receivable and deposits, investments in marketable securities, accounts payable and accrued liabilities and lease liabilities.

Cash and cash equivalents, accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Investments in marketable securities are classified as receivables and are measured at fair value through profit and loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

At December 31, 2024 the Company had no financial instruments classified as Level 2 or 3.

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and price risk. The aim of the Company's overall risk management strategy is to reduce the potential adverse effect that these risks may have on the Company's financial position and results. The Company's Board of Directors has overall responsibility and oversight of management's risk management practices. Risk management is carried out by the Board through the Nominating and Corporate Governance Committee with the policies being recommended for approval by the Board of Directors at least annually or when changes are required.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2024, the Company had a cash and cash equivalents balance of $29,310,579 (December 31, 2023 – $58,944,459) to settle current liabilities of $8,607,312 (December 31, 2023 – $12,168,225). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At December 31, 2024, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on non-brokered private placements to fund its operations. The Company's cash balance at December 31, 2024 is sufficient to fund the 2025 work program related to current operations as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity or debt financing (refer to note 23 "Events after the reporting period" for an update on equity and debt financing).

(Expressed in Canadian dollars, except where otherwise noted)

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, short-term investments, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents and short-term investments as low as its funds are held in several highly rated Canadian financial institutions.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

		December 31, 2024		December 31, 2023
Cash and cash equivalents	**$**	**29,310,579**	$	58,944,459
Other receivables		**82,896**		237,086
Deposits		**114,501**		130,504
	$	**29,507,976**	**$**	59,312,049

c) Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts or other highly liquid interest-bearing short-term investments. The Company regularly monitors its cash management policy.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At December 31, 2024, cash balances were held primarily in Canadian and US dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian dollar could have a significant impact on the Company's financial position, results of operations, and cash flows.

The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk, however exchange rates are continually monitored for any significant changes. A portion of the Company's exploration expenses are paid in USD, and over the past two years the Company converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP.

At December 31, 2024 and December 31, 2023, the Company had the following foreign currency denominated trade payables:

		December 31, 2024		December 31, 2023
United States dollar	**$**	**3,798,895**	$	6,991,862
Mexican Peso		**898,268**		806,771
	$	**4,697,163**	$	7,798,633

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at December 31, 2024 by approximately $469,716 (December 31, 2023: $779,844).

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movement and volatility. The Company closely monitors commodity prices, particularly as they relate to base and precious metals, and movements in the price of individual equity securities, and movements in the stock market generally, to assist in determining the appropriate course of action to be taken by the Company.

21. SEGMENTED INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has one operating segment, which is involved in the exploration and development of polymetallic mineral deposits. All of the Company's mineral properties are located in Mexico.

Segment performance is evaluated based on several operating and financial measures, including net loss and total comprehensive loss, which is measured consistently with net loss and total comprehensive loss in the consolidated financial statements.

(Expressed in Canadian dollars, except where otherwise noted)

The net loss and total comprehensive loss are distributed by geographic region as follows:

		Years Ended December 31,
	2024	2023
Canada	**$ (11,681,610)**	$ (11,564,072)
Mexico	**(11,908,974)**	(2,839,248)
Total comprehensive loss	**$ (23,590,584)**	$ (14,403,320)

22. RELATED PARTY TRANSACTIONS

a) Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as well as those personnel with responsibility for the oversight of the Company's activities. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Related party transactions for the years ended December 31, 2024 and 2023 are as follows:

		Years Ended December 31,	
Transaction Type	**Nature of Relationship**	**2024**	2023
Non-cash share-based payments	Directors and officers	**$ 4,446,035**	$ 4,643,393
Salaries and benefits	Officers	**2,846,115**	3,602,335
Director fees	Directors	**400,000**	302,596
		$ 7,692,150	$ 8,548,324

A summary of amounts due to related parties:

Transaction Type	**Nature of Relationship**	**December 31, 2024**	December 31, 2023
Salaries and benefits payable	Directors, officers, and employees	**$ 3,243,111**	$ 1,103,245
		$ 3,243,111	$ 1,103,245

23. EVENTS AFTER THE REPORTING PERIOD

On January 27, 2025 it was announced that Discovery had entered into a definitive agreement (the "Share Purchase Agreement") to indirectly acquire all of Newmont Corporation's interest in the Porcupine Complex (the "Transaction") for a total consideration of USD$425 million. The consideration payable to Newmont for the Transaction consists of USD$200 million in cash and USD$75 million payable through the issuance of approximately 119.7 million common shares of Discovery, both of which are payable upon closing of the Transaction, and USD$150 million of deferred consideration to be paid in four annual cash payments of USD$37.5 million commencing on December 31, 2027.

To fund the Transaction and provide liquidity in support of operating and growing the Porcupine Complex, Discovery has entered into binding commitments for approximately USD$555 million of financing, including $400 million related to royalty and debt agreements with Franco Nevada Corporation ("Franco Nevada") and approximately USD$155 million from a bought deal public offering of subscription receipts (the "Bought Deal"). The Bought Deal closed on February 3, 2025 and pursuant to the requirement of the Toronto Stock Exchange a special meeting will be held on March 27, 2025 to obtain shareholder approval (the "Special Meeting").

Pursuant to the Bought Deal, the Company issued an aggregate of 275,000,000 Subscription Receipts at an issue price of C$0.90 per Subscription Receipt, for gross proceeds of C$247,500,000, which includes 25,000,000 Subscription Receipts issued pursuant to the exercise, in full, of the over-allotment option granted to the underwriters in connection with the Bought Deal. If the issuance of 119.7 million common shares to Newmont is not approved by shareholders at the Special Meeting, Discovery will reduce this number and issue approximately 94.5 million common shares to Newmont, and the first deferred cash payment will be increased to approximately USD$53.3 million. As part of the financing package with Franco-Nevada, the Company issued 3,900,000 share purchase warrants, exercisable at $0.95 with a 3-year expiry.

Prior to the closing of the Transaction, Porcupine will be transferred into a newly formed corporation, Dome Mine Ltd. pursuant to an asset purchase agreement. On closing of the Transaction, all of the issued and outstanding common shares of Dome Mine Ltd. will be sold to Discovery pursuant to a share purchase agreement. The Transaction is also subject to other customary conditions prior to the expected close in the first half of 2025.